

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, AUGUST 25, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, August 25, 2009, commencing at 7:04 a.m.

Present: Council Member Hitchcock, Mayor Pro Tempore Katzakian, and Mayor Hansen

Absent: Council Member Johnson, and Council Member Mounce

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Fourth Quarter Fiscal Year 2008-09 Water, Wastewater, and Electric Utility Department Financial Reports (EUD)

City Manager King briefly introduced the subject matter of the fourth quarter fiscal year 2008-2009 water, wastewater, and electric utility financial reports.

Water Services Manager Charlie Swimley provided a PowerPoint presentation regarding the fourth quarter water and wastewater financial reports. Mr. Swimley specifically discussed the water and wastewater operating results ending June 30, 2009, cash flow summary operations, cash balances, operating results, and water and wastewater utility accomplishments.

In response to Mayor Hansen, Mr. Swimley stated violations and permits do come out of operating costs, although they are not necessarily budgeted for because the goal is always to have zero violations. Mr. Swimley stated that, if there is a significant change coming from the State, a time schedule for implementation is issued and there is time to prepare budget wise. He said he does not anticipate any significant changes over the next year.

In response to Council Member Hitchcock, Mr. Swimley stated the rate increase will bring in approximately \$1.7 million, the negative balance will remain until 2011 and will become positive thereafter, and then the work will begin toward establishing a reserve.

In response to Mayor Hansen, Mr. King stated the impact mitigation fee line item is in the negative because of the \$1.2 million and the level of development is directly related to the impact mitigation fee fund repayment.

In response to Council Member Hitchcock, Mr. King stated the City's impact fee program was based on a formula that used the projected amount of units to be developed.

In response to Mayor Hansen, Mr. King stated new annexations are included in the sense that the City does charge them.

In response to Council Member Hitchcock, Mr. King explained the two methodologies used for calculating impact mitigation fees are the costs are equally spread out among all proposed units regardless of whether or not they are built or equally spreading costs over only already developed units.

In response to Council Member Hitchcock, Public Works Director Wally Sandelin stated three years into the program there was a minor adjustment downward with no inflation adjustments for

the years thereafter despite the fire station costs coming in higher than expected.

In response to Mayor Hansen, Mr. Sandelin stated the in-fill number for the area south of Century Boulevard is approximately 800 units.

In response to Council Member Hitchcock, Mr. Sandelin stated funding sources for new development could include impact fees, developer costs, and grants. He stated the grants are not counted until they are received and are generally water related.

In response to Council Member Hitchcock, Mr. King stated generally changes in land value and market value are reflected in adjustments. Mr. Sandelin stated staff will be looking at the policy to establish the service area, establish the cost of service to the area, look at the number of units affected, equally assess the costs accordingly, and the older area would roll into the new program. Mr. Sandelin stated staff will be reviewing the program this Fall prior to development starting up again.

In response to Mayor Hansen, Mr. Swimley stated the new sewer vacuum truck would cost approximately \$340,000.

In response to Myrna Wetzel, Mr. King stated there is a vehicle replacement program for existing vehicles in the General Fund, although there is no reserve fund for adding new vehicles to the fleet.

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the quarterly update for electric utility. Specific topics of discussion included an overview, financial results, operating expenditures, power supply, power sales, billing statistics, Energy Cost Adjustment (ECA) revenue, Northern California Power Agency general operating reserve, fiscal year 2010 open position, cash balance, and summary.

In response to Mayor Hansen, Mr. Morrow stated the City spent approximately \$4.7 million to date on the new Lodi Energy Center and that money will be recoverable by the City when the project goes to construction.

In response to Mayor Hansen, Mr. Morrow stated the bids for the next small purchase of power are due tomorrow.

In response to Mayor Hansen, Mr. Morrow stated technology upgrades will allow for daily usage data to be retrieved and then made available to customers over the next few years.

In response to Council Member Hitchcock, Mr. Morrow stated the data collection is done on a drive by basis and the more remote collection of the data from a few larger receivers in the community can be costly.

In response to Mayor Hansen, Mr. Morrow stated debt payment is due in August 2010 and revenues may be coming in from the debt service payoff and the Roseville payment.

In response to Council Member Hitchcock, Mr. Morrow stated adjustments to the ECA and base rates are generally done at the same time.

In response to Mayor Hansen, Mr. Morrow stated there is a possibility in the future that the ECA could turn into a negative or flat number throughout the year if the energy costs remain steady and the new Lodi Energy Center comes on line.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:11 a.m.

ATTEST:

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Fourth Quarter Fiscal Year 2008/09 Water, Wastewater and Electric Utility Department Financial Reports

MEETING DATE: August 25, 2009

PREPARED BY Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the fourth quarter of the fiscal year ended June 30, 2009.

BACKGROUND INFORMATION: In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Water, Wastewater, and Electric Utilities. Highlights of the operations and financial performance of each utility will be presented at the meeting of August 25, 2009.

FISCAL IMPACT None directly related to the preparation of the report. However, the presentation is intended to keep the Council apprised of the financial conditions of the major municipal utilities.

A handwritten signature in black ink, appearing to read "Jordan Ayers".

Jordan Ayers
Deputy City Manager

APPROVED:

A handwritten signature in black ink, appearing to read "Blair King".

Blair King, City Manager



Public Works Department Water/Wastewater

FY 09 Quarterly Update **(Through June 30, 2009)**

City Council Shirtsleeve Session
August 25, 2009

Wastewater Operating Results

(Ending June 30, 2009)

	Budget	Actual	% of Budget
Personnel	3,068,836	2,989,408	97%
Supplies, Materials, Services	2,351,142	1,796,981	76%
Equipment, Land, Structures	115,270	58,345	51%
Other Payments	200,212	154,889	77%
Communication & Transportation	819,210	869,127	106%
Work for Others	43,960	0	0%
Total Operating Expenses	6,598,630	5,868,750	89%

Wastewater Fund
Cash Flow Summary
Operations
(Ending June 30, 2009)

Revenue	
Sales	6,686,530
Other (interest, rent, septic, misc.)	1,068,403
Total Revenues	7,754,933
Expenses	
Operating	5,868,750
Debt Service	2,571,667
Cost of Services Payment To General Fund	1,451,478
Total Expenses	9,891,895
Net Increase (Decrease) in Undesignated Reserves	(2,136,962)

Wastewater Funds

Cash Balances

(Ending June 30, 2009)

Operating (170)	(8,591,927)
Utility Capital / Infrastructure Replacement (171)	16,587,976
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(2,471,679)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	5,630,912
IMF (173)	2,072,666
Total	13,227,948

Water

Operating Results

(Ending June 30, 2009)

	Budget	Actual	% of Budget
Personnel	1,377,032	1,368,569	99%
Supplies, Materials, Services	933,512	683,310	73%
Equipment, Land, Structures	3,500	4,431	127%
Other Payments	1,267,750	1,448,075	114%
Communication & Transportation	882,340	804,766	91%
Work for Others	360,000	322,520	90%
Total Operating Expenses	4,824,134	4,631,671	96%

Water Fund

Cash Flow Summary

Operations

(Ending June 30, 2009)

Revenue	
Sales	6,544,230
Other (interest, rent, misc.)	161,763
Total Revenues	6,705,993
Expenses	
Operating	4,631,671
Debt Service	56,868
Cost of Services Payment To General Fund	1,060,122
Total Expenses	5,748,661
Net Increase in Undesignated Reserves	957,332

Water Funds Cash Balances

(Ending June 30, 2009)

Operating (180)	2,209,905
Utility Capital / Infrastructure Replacement (181)	11,788,937
IMF (182)	(443,881)
PCE/TCE Settlements	14,337,165
PCE/TCE Rates (185)	1,640,500
Total	29,532,626



Water / Wastewater Utility Accomplishments

- White Slough Improvements
- Waste Discharge Requirements (WDR's)
- Water Meter Program
- Financial Health of Water/Wastewater Utilities

Questions???



Electric Utility Department

FY09 Quarterly Update

(Through June 30, 2009)

City Council Shirtsleeve Session
August 25, 2009



Overview

- Power Costs down ~ \$300K from budget
- Non-power Costs up ~ \$150K
- Revenues up about \$1M
- NCPA Cash Reserve (GOR) down \$1M
- FY10 power supply is 92% hedged
- Overall increase in cash is about **\$300K**



FY09 Financial Results

Cash Flow			
Revenue	Projected	Actuals	Difference
Sales Revenues	73,252,805	74,000,779	1.0%
Other Revenues	955,000	1,238,395	29.7%
Total Revenues	74,207,805	75,239,174	1.4%
Expenses			
Purchase Power	46,697,976	46,378,892	-0.7%
Non Power	12,422,535	12,584,200	1.3%
Total Expenses	59,120,511	58,963,092	-0.3%
Net Revenue for Debt Service	15,087,294	16,276,082	7.9%
Debt Service	7,064,307	7,975,594	12.9%
Net Revenue	8,022,987	8,300,488	3.5%
In-lieu Transfer to General Fund	6,879,414	6,941,960	0.9%
Net Increase (Decrease) in Working Capital	1,143,573	1,358,528	18.8%
Beginning Cash Balance	11,339,624	11,339,624	
Changes in GOR	-	(1,054,456)	
Ending Cash Balance	12,483,197	11,643,696	



Operating Expenditures

	FY09 Budget	FY09 Actual	% of Budget
Personnel	6,317,083	6,002,159	95%
Supplies, Materials, Services	1,729,829	1,518,735	88%
Equipment, Land, Structures	909,151	602,974	66%
Other Payments	440,196	977,132	222%
Communication & Transportation	69,891	77,048	110%
Total Operating Expenses	9,466,150	9,178,049	97.0%



Power Supply

	Estimated	Actual	Change	% Change
Generation	\$ 39,928,751	\$ 44,083,273	\$ 4,154,522	9.4%
Transmission	\$ 6,657,679	\$ 6,424,975	\$ (232,704)	-3.6%
Management Services	\$ 2,208,641	\$ 2,433,988	\$ 225,347	9.3%
Third Party Revenue	\$ (2,097,095)	\$ (6,233,508)	\$ (4,136,413)	66.4%
Adjustments		\$ (329,836)		
TOTAL	\$ 46,697,976	\$ 46,378,892	\$ (319,084)	-0.7%



Power Sales

	FY09 Projections	FY09 Actuals	% Difference
kWh	469,097,839	452,075,554	-3.6%
Revenue	\$ 73,252,805	\$ 74,000,779	1.0%

	Year	HDD	Normal	CDD	Normal
July	2008	0	0	380	390
August	2008	0	0	415	363
September	2008	0	5	266	247
October	2008	36	76	53	73
November	2008	276	348	0	0
December	2008	645	609	0	0
January	2009	563	592	0	0
February	2009	387	391	0	0
March	2009	333	313	0	0
April	2009	189	169	41	18
May	2009	12	54	171	111
June	2009	1	6	211	254
FY09 Total		2442	2563	1537	1456



Billing Statistics

Projected			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	162,283,695	\$ 28,977,046	\$ 0.1786
Small Commercial	172,567,545	\$ 28,257,247	\$ 0.1637
Large Commercial/Small Industrial	36,183,700	\$ 5,419,878	\$ 0.1498
Industrial	98,062,899	\$ 10,598,634	\$ 0.1081
TOTAL	469,097,839	73,252,805	\$ 0.1562

Actual			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	153,487,430	\$ 29,017,617	\$ 0.1891
Small Commercial	167,528,360	\$ 29,108,124	\$ 0.1738
Large Commercial/Small Industrial	35,836,342	\$ 5,446,510	\$ 0.1520
Industrial	95,223,422	\$ 10,428,527	\$ 0.1095
TOTAL	452,075,554	\$ 74,000,779	\$ 0.1637



ECA Revenue

Customer Class	Q1	Q2	Q3	Q4	Total
Residential	832,498	725,150	1,437,573	109,977	3,105,198
Small Commercial	833,776	746,906	1,414,592	150,297	3,145,572
Large Commercial/Small Industrial	176,414	158,323	310,165	30,742	675,643
Industrial	449,032	438,014	874,562	83,248	1,844,856
Total ECA Revenue	2,291,721	2,068,393	4,036,893	374,263	8,771,269



NCPA “GOR”

GOR levels

- \$6,959,239 (June 30, 2008)
- \$5,904,783 (June 30, 2009)
- **FY08 true-up/Interest income of \$1,161,590**
- **Solar Project /Power Exchange Income of \$1,441,752**
- **LEC Phase 2/Solar Project Costs of \$3,657,798**

\$1,054,456 Decrease

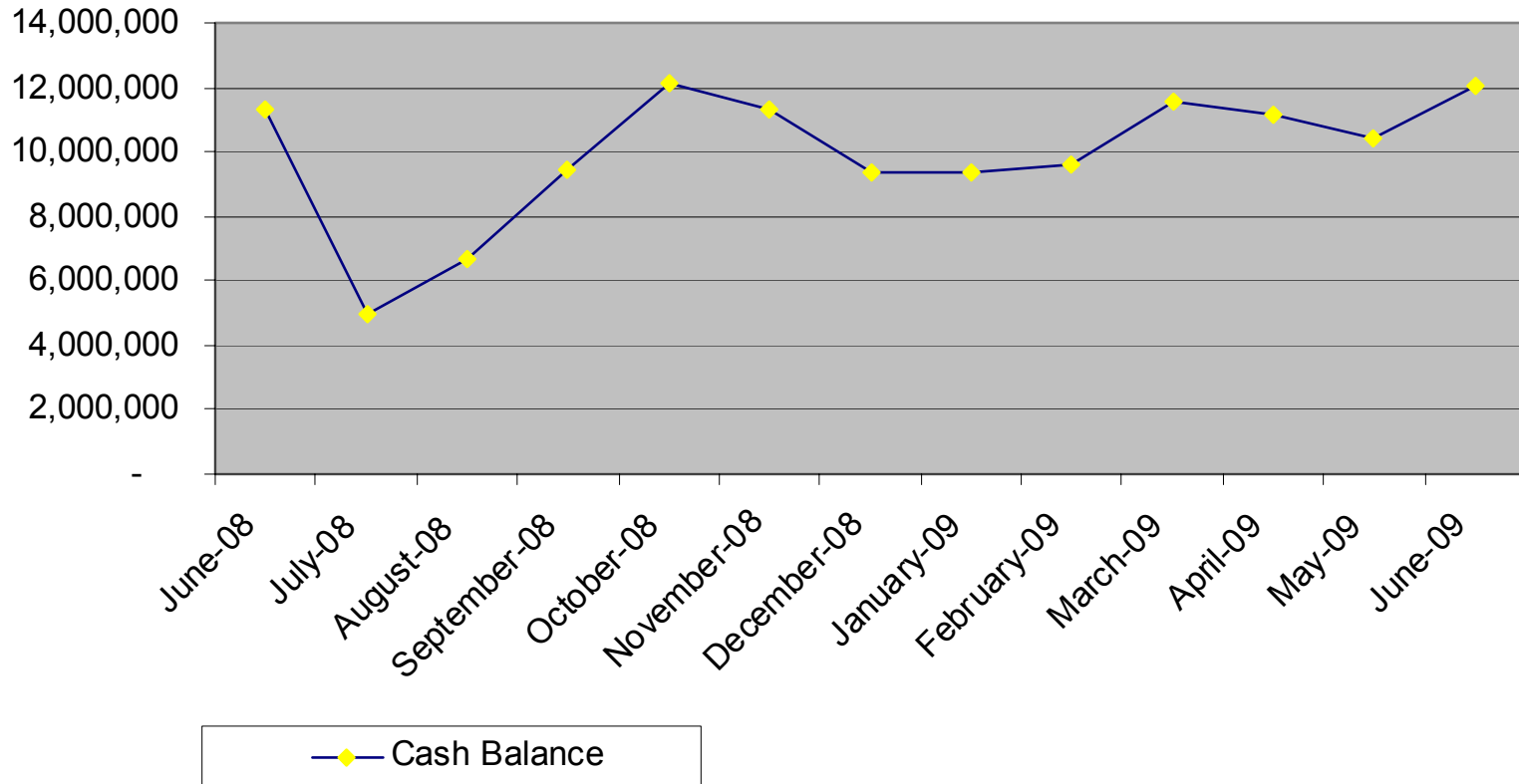


FY10 “Open Position”

	Lodi Total Surplus/(Deficit)	Load	% of Load	Lodi HLH Surplus/(Deficit)	Load	% of Load	Lodi LLH Surplus/(Deficit)	Load	% of Load
July 2009		48,176	0.0%		31,586	0.0%		16,590	0.0%
August	(4,360)	48,722	-8.9%	(3,931)	31,910	-12.3%	(429)	16,812	-2.6%
September	(2,646)	43,019	-6.2%	(750)	27,556	-2.7%	(1,896)	15,463	-12.3%
October	(4,627)	37,393	-12.4%	(3,728)	24,526	-15.2%	(900)	12,867	-7.0%
November	(3,083)	34,170	-9.0%	(1,538)	20,979	-7.3%	(1,545)	13,191	-11.7%
December	(5,736)	36,792	-15.6%	(3,268)	23,342	-14.0%	(2,468)	13,450	-18.3%
January 2010	(5,166)	36,569	-14.1%	(2,977)	22,356	-13.3%	(2,188)	14,213	-15.4%
February	(3,064)	32,505	-9.4%	(1,935)	21,011	-9.2%	(1,129)	11,494	-9.8%
March	(926)	34,971	-2.6%	(641)	23,058	-2.8%	(285)	11,913	-2.4%
April	(2,209)	34,561	-6.4%	(3,262)	22,453	-14.5%	1,054	12,108	8.7%
May	(1,311)	37,831	-3.5%	(1,963)	23,554	-8.3%	652	14,277	4.6%
June	(2,596)	42,840	-6.1%	(2,514)	28,592	-8.8%	(82)	14,248	-0.6%
FY Total	(35,724)	467,549	-7.6%	(26,508)	300,923	-8.8%	(9,217)	166,626	-5.5%
Bal Yr Total	(35,724)	419,373	-8.5%	(26,508)	269,337	-9.8%	(9,217)	150,036	-6.1%



Cash Balance





Summary

- Power Costs down ~ \$300K from budget
- Non-power Costs up ~ \$150K
- Revenues up about \$1M
- NCPA Cash Reserve (GOR) down \$1M
- FY10 power supply is 92% hedged
- Overall increase in cash is about **\$300K**